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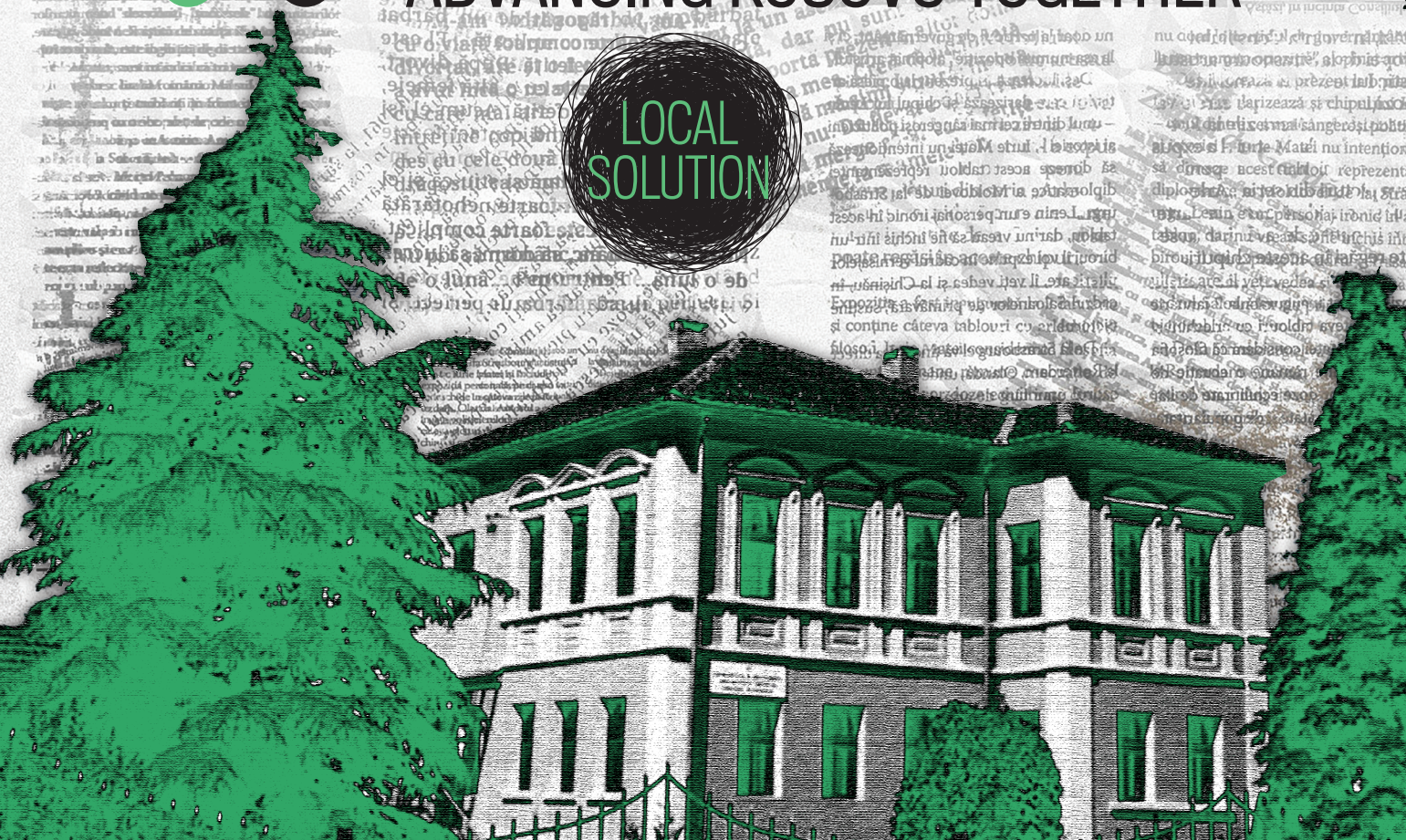
A REPORT ON THE EXPENDITURES OF THE MUNICIPALITY OF

# GJILAN GNJILANE

## MONEY AND POLITICS

ADVANCING KOSOVO TOGETHER

LOCAL  
SOLUTION





A REPORT ON THE EXPENDITURES OF THE MUNICIPALITY OF

# GJILAN GNJILANE

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## MONEY AND POLITICS



ADVANCING KOSOVO TOGETHER





**Implementing Persons and Organizations for this report:**

**ERJONA HURUGLICA** – Kosovo Center for International Cooperation

Supported By:



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#### **Project Description:**

This project, supported by the Advancing Kosovo Together – Local Solutions (AKT-LS) through the United States Agency for International Development (USAID), aimed to increase the integrity of local governments through increased monitoring by civil society in these municipalities. Participants in the project took part in a training that trained them to: access information on public tenders at the municipal level, identify the political connections of companies or persons that received tenders after donating funds to certain political parties, as well as examine the declaration of assets of local officials. They were then put to task to reproduce these results in their local municipalities and report on the results. This work is reflective of this methodology and training.

#### **Disclaimer:**

The views expressed in this report are the work of the participants in this Project. The research in these reports is solely the work of these persons, and not of their respective organizations. They also do not necessarily reflect the views of the donor for this project, United States Agency for International Development (USAID). They also do not necessarily reflect the views of the implementing organizations, Communication for Social Development, and Organization Çohu!

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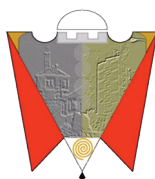
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# A REPORT ON THE EXPENDITURES OF THE MUNICIPALITY OF **GJILAN / GNJILANE**

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## INTRODUCTION

This research in the Municipality of Gjilan/Gnjilane covers the period from 2010 to 2015. During this period, among other things the Municipality has faced operational difficulties regarding the management of the public budget and expenditures of the budget.

The Municipality faced the problem of planning of expenditure and their implementation.

Among other problems which Gjilan/Gnjilane faced during said period, is also the failure to follow legal provisions related to public procurement, problems with announcements related to contracts, as well as the selection of Economic Operators which did not meet the criteria of adequate field of operation, according to the specified request, and failure to follow public procurement procedures when opening calls for tenders.

When it comes to the implementation of public procurement provisions, the Municipality faced difficulties when executing contracts, with delays in meeting the obligations deriving from contracts, giving contracts to irresponsible economic operators, as well as other problems during said period.

When it comes to links between businesses and politics, this research has identified numerous businesses which, in one way or another, had links with politics. This research provides findings related to links between businesses and politics.



# KEY FINDINGS

During 2010-2015, the key findings related to budget spending and public procurement procedures are as follows:

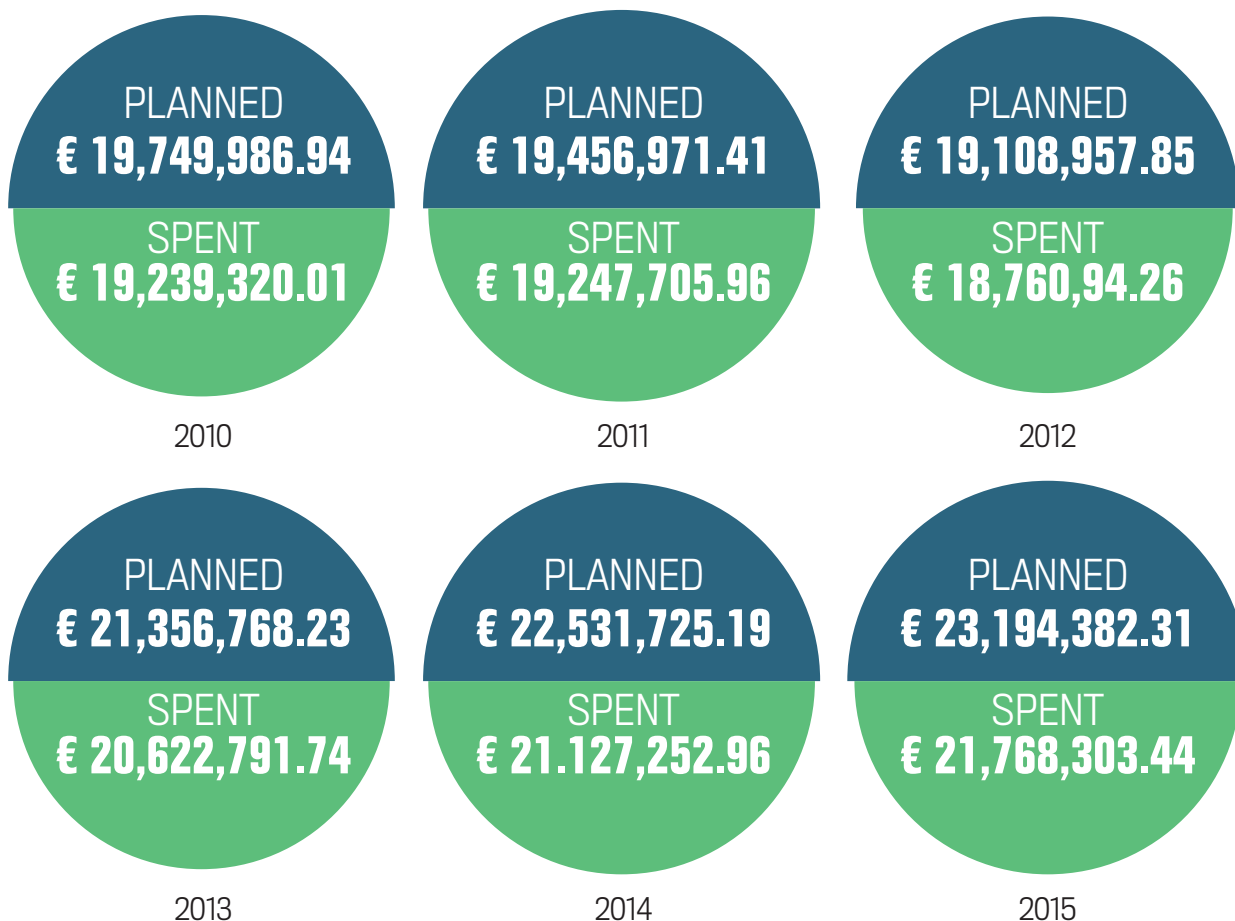
- Inadequate planning of budget spending;
- Breach of public procurement procedures;
- Failure to implement public procurement provisions when announcing awarding of contracts;

- Failure to commit funds before the initiation of public procurement procedures;
- Delays in carrying out the works according to contract;
- Awarding of the contracts to irresponsible economic operators;

Planning and final expenditure in the Municipality of Gjilan/Gnjilane during 2010-2015 was as follows:



## PLANNING AND FINAL EXPENDITURE OF THE MUNICIPALITY OF GJILAN/GNJILANE DURING 2010-2015



# 2010

The planned budget for **2010** was € 19,749,986.94, while the realized budget as per all spending categories was € **19,239,320.01**. The unused difference is € **510,666.93**.

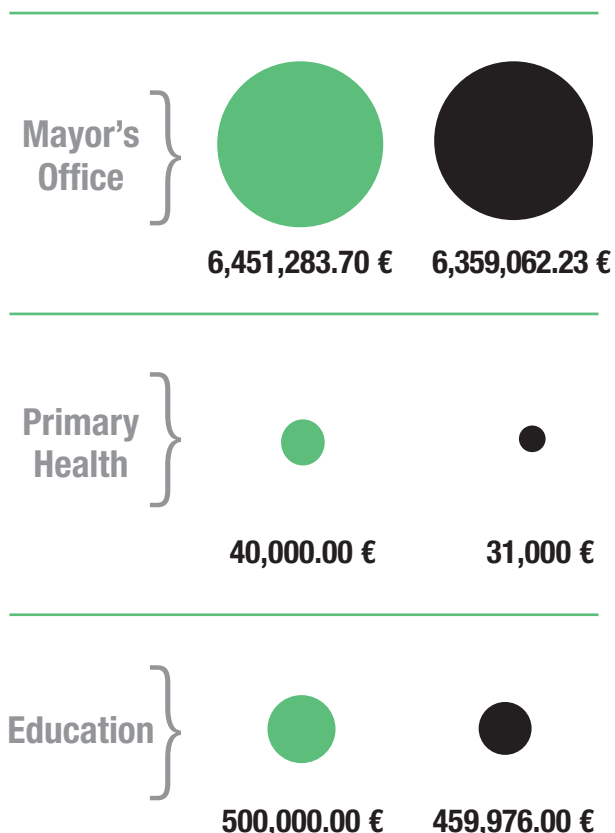
When looking at the budget of the Municipality of Gjilan/Gnjilane, we can see that the budget of the Procurement Department is € 37,545.00, which covers Wages and Sal-

aries, Goods and Services, Utilities, Subsidies and Transfers, as well as Capital Investments, and this department spent € 37,003.96, in all said categories.

The 2010 budget for capital investments was € 7,284,482.70, whereas the realized budget is € 7,126,450.49, and it was used for projects and capital investments as follows;

## CAPITAL INVESTMENTS 2010

Department /Program      **Planned**      **Realized**



### INVESTMENT PROGRAMS IN THE MUNICIPALITY WERE REALIZED IN VARIOUS DEPARTMENTS AND PROGRAMS:

Departments / Programs	Total capital expenditure
Mayor's Office	6,359,062,23
The Administration of Parteš/Partesh*	246,394,00
Local Community Office	13,937,60
Agriculture	16,080,00
Health	31,000,00
Education	459,976,66
<b>TOTAL</b>	<b>7,126,450,49</b>

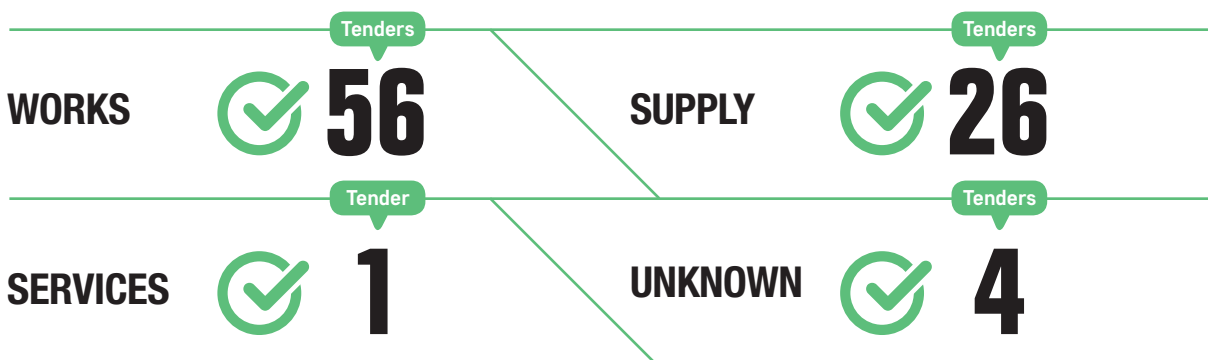
\* Parteš/Partesh municipality was established on 19 August, 2010, when the first municipal assembly constitutive session was held. Until then, the area was part of Gjilan/Gnjilane municipality.

## Contracts signed through public procurement

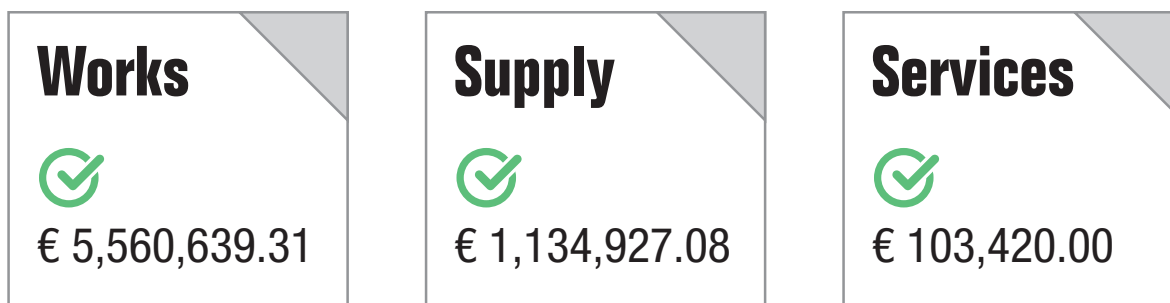
Based on our research and according to the documents found on the website of the Public Procurement Regulatory Commission (PPRC), we provided data for every tender during the 2010-2015 period.

For 2010, we reviewed 85 tenders, 4 of which did not provide total amount. The total amount of these 81 tenders is € 6,798,986.39.

The 85 tenders, according to type of contract, are divided as follows:



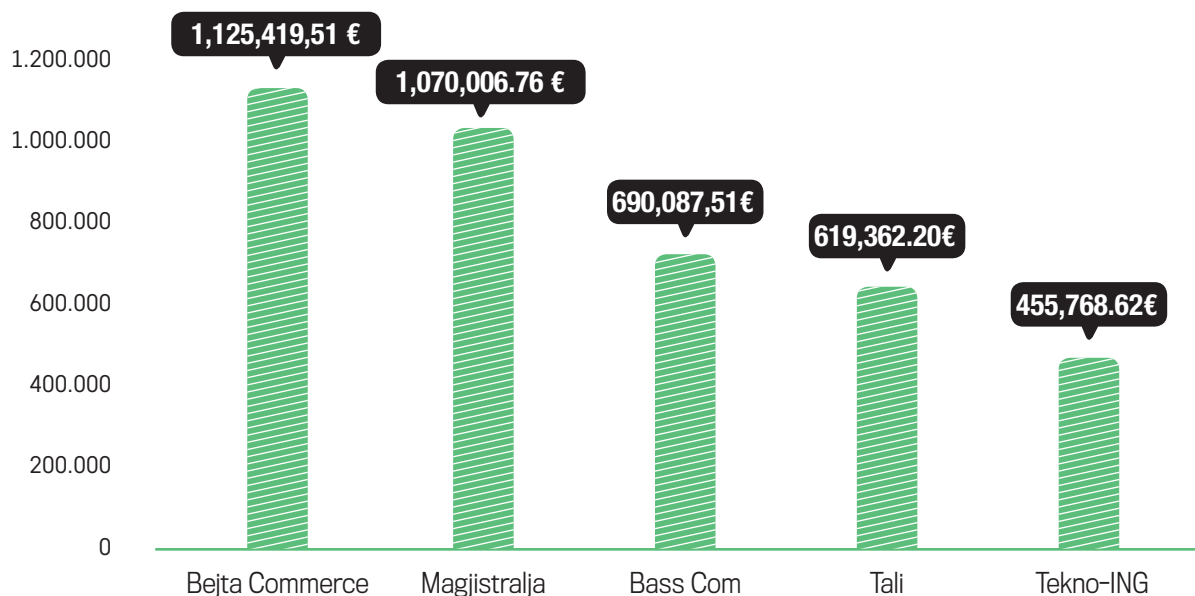
The amount of each of these tenders is as follows:



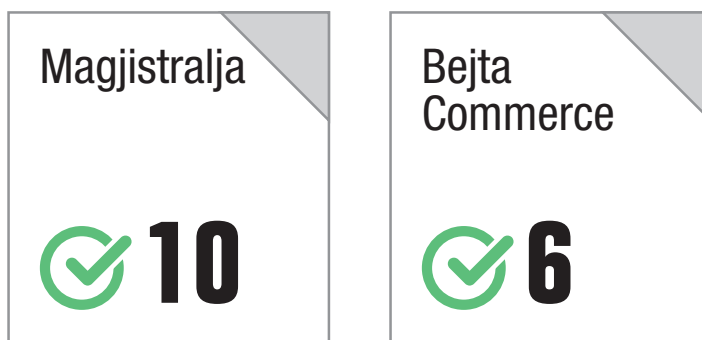
According to our database and the research, there are a considerable number of companies which won tenders. Further are two categories of companies: the first one

has to do with the highest amount of tenders, while the second one has to do with the highest number of tenders won by different companies.

## Top 5 companies with the highest amount of tenders



## Companies with the highest number of tenders



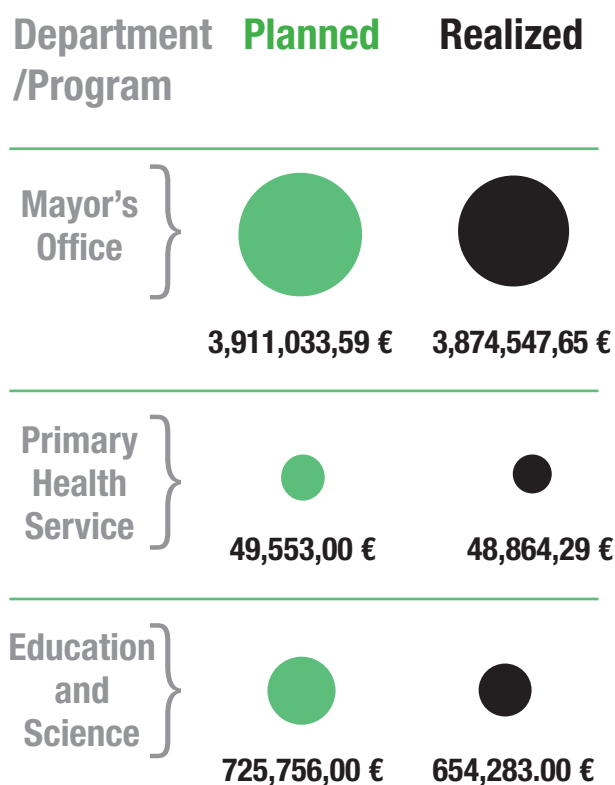
# 2011

The planned budget for 2011 was € 19,456,971.41 while the realized budget as per all spending categories was € 19,247,705.96. The unused difference is € 209,265.45.

When looking into the budget of the Municipality, we can see that the planning for the Procurement Department was € 52,027.00, which includes Wages and Salaries, Goods and Services, Utilities, Subsidies and Transfers, as well

as Capital Investments, while this department realized € 52,019.27 in all said categories. Different from 2010, the Procurement Department increased its spending.

The 2011 budget for capital investments was € 5,499,212.59, whereas the realized budget was € 5,390,261.99, and it was used for projects and capital investments as follows:



## INVESTMENT PROJECTS IN THE MUNICIPALITY OF GJILAN/ GNJILANE, AS PER DEPARTMENTS, ARE DIVIDED AS FOLLOWS:

Departments / Programs	Total capital expenditure
Mayor's Office	3,874,547.65
Public Services	799,696.61
Agriculture	12,870.00
Administration	48,864,29
Education Administration	654,283,14

It is interesting to see that this trend of decrease in capital expenditure and in saving money in 2011 is very noticeable, and for this purpose, we can compare capital expenditure in 2010 and in 2011.

The Mayor's Office in 2010 spent around € 5 million for capital investments, while in 2011 this expenditure was for around € 3 million less.

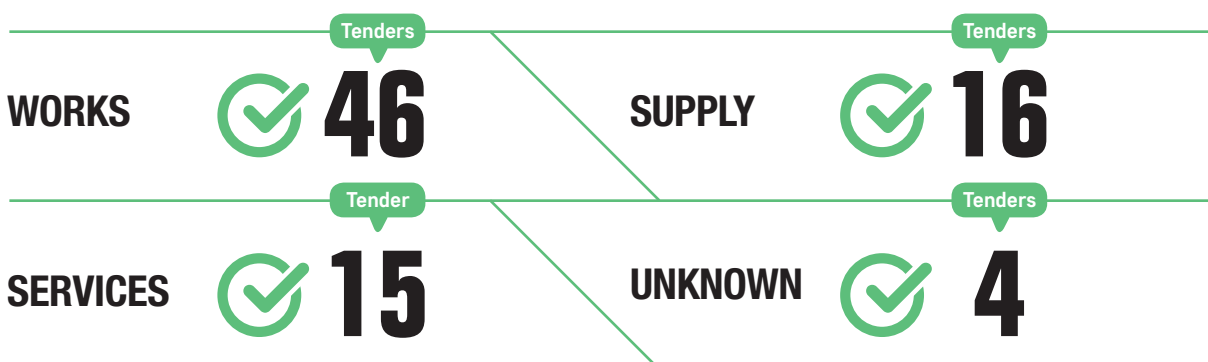
If we refer to our database (the data from PPRC), we can see that the amount of the announced tenders for 2010 was € 6,798,986.39, while the total amount of tenders in 2011 was € 8,585,782.30, or around € 2 million more than the previous year.

## Contracts signed through public procurement

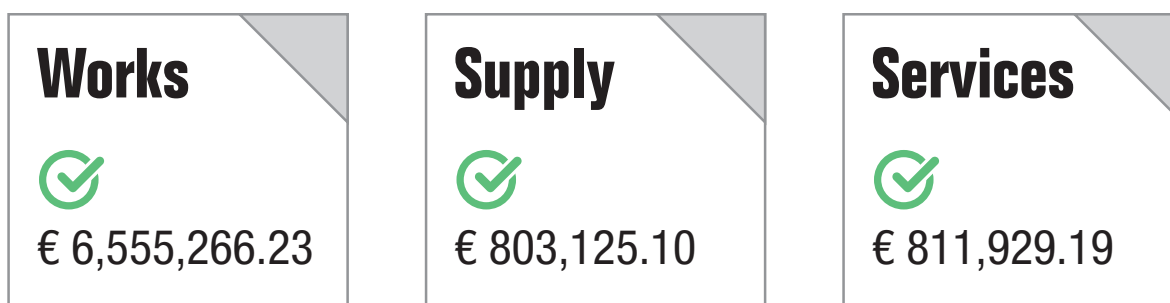
For 2011, we included 82 tenders in our database, while in the case of 4 tenders there was no information regarding the total amount of those tenders;

The total amount of the 78 remaining tenders was € 8,585,702.30;

The 82 tenders, according to type of contract, are divided as follows



The amount of each of these tenders is as follows:

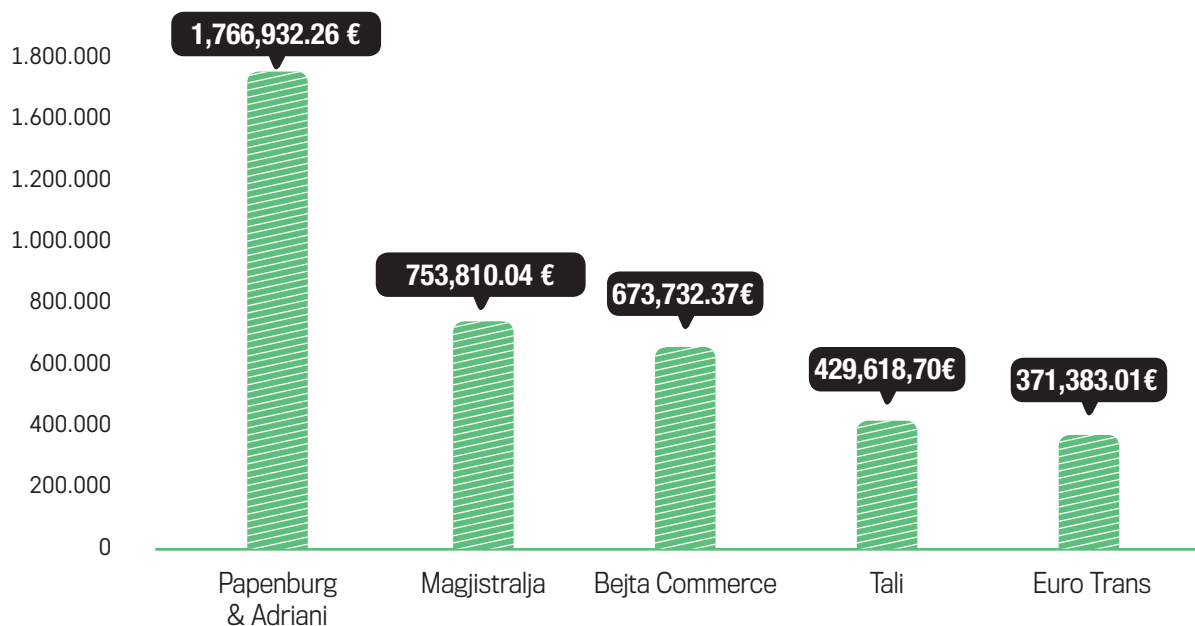




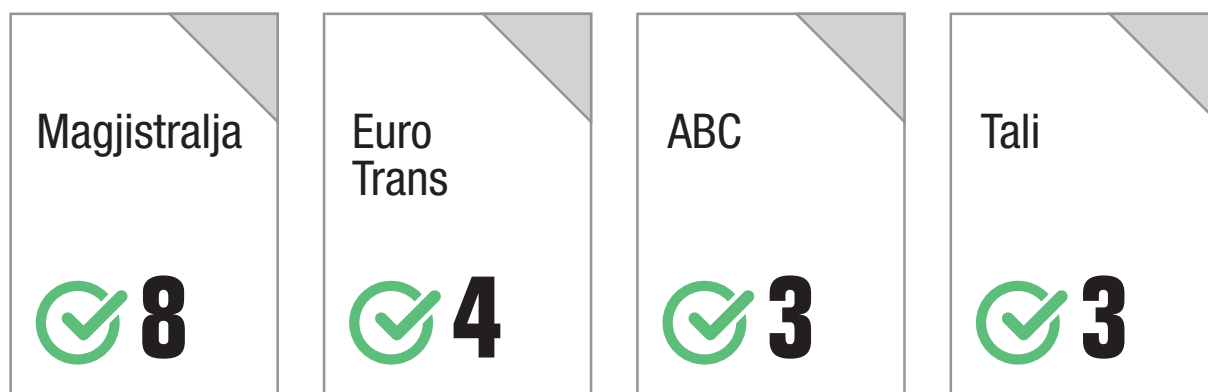
Out of € 8,585,702 spent through public procurement, five companies won € 3,995,115 or 46.53% of the total amount of all tenders. Only Papenburg & Adriani com-

pany won around € 1,766,932, or 20.57% of the total amount of all tenders.

## Companies that won the highest amounts of tenders



## Companies with the highest number of tenders



2012

The planned budget for 2012 was € 19,108,957.85, while the realized budget as per all spending categories was € 18,760,946.26. The unused difference is € 348,011.59.

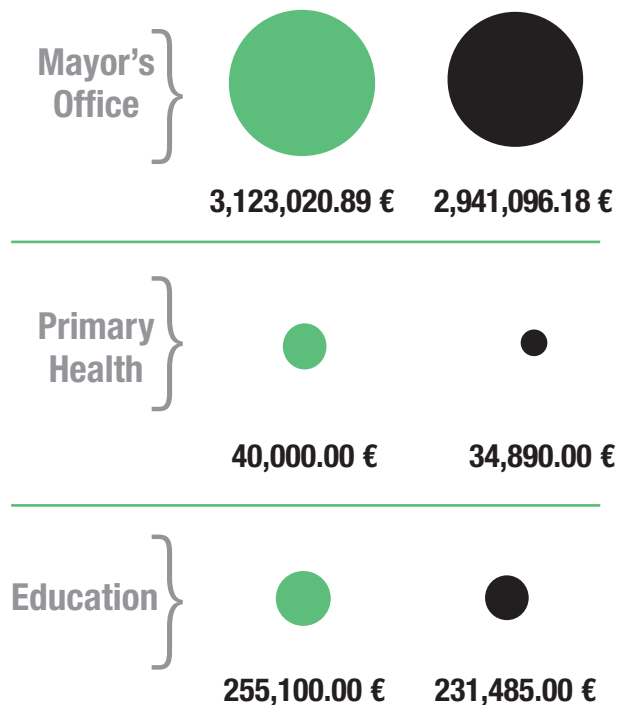
When looking into the budget of the Municipality, we can see that the planning for the Procurement Department was € 57,900.00 which includes Wages and Salaries, Goods and Services, Utilities, Subsidies and Transfers, as well as Capital Investments, while this department realized € 57,883.07 in all said categories.

The 2012 budget for capital investments was € 4,360,857.89, whereas the realized budget was € 4,402,439.19 and it was used for projects and capital investments as follows:

- The capital investments from year to year marked a decrease. The difference between 2010 and 2012 is around € 3 million.
- The municipal documents show all budget variations and spending in different projects.
- If we take any project in any year, we see that the amount of that tender is not the same as the Contract Notice Award at PPRC.

## CAPITAL INVESTMENTS 2012

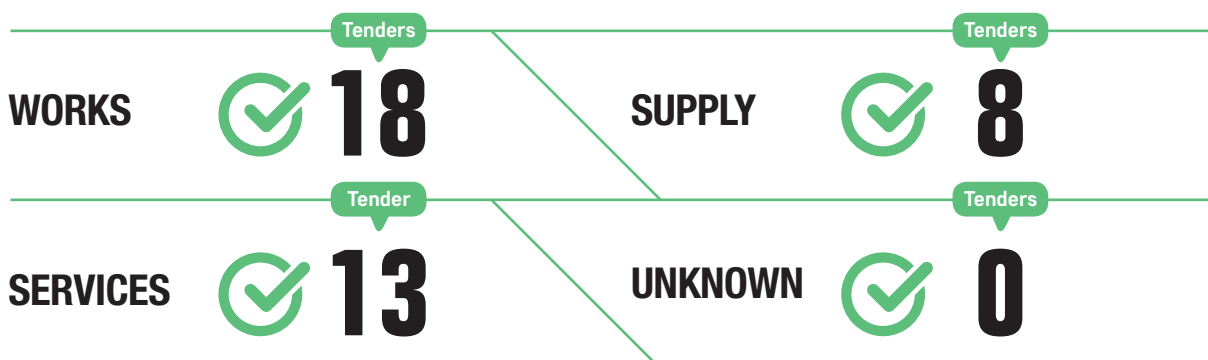
Department **Planned** **Realized**  
/Program



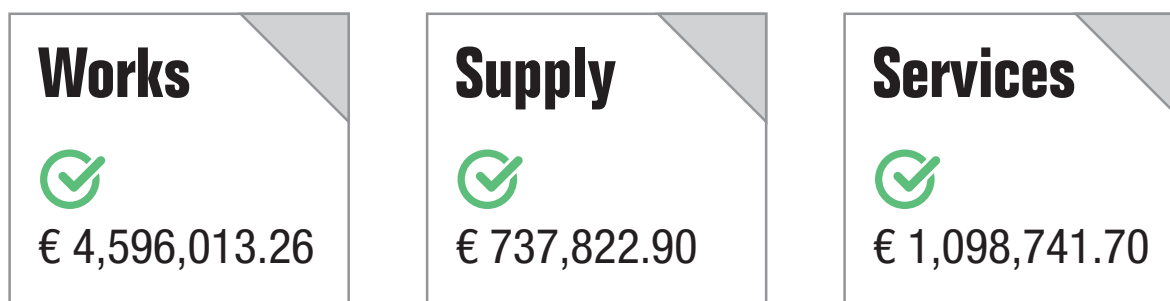
## Contracts signed through public procurement

For 2012 we included 39 tenders, with 38 tenders of a medium monetary amount and 1 tender with high amount. The total amount of these tenders was € 6,432,013.86;

These tenders are divided in following categories:



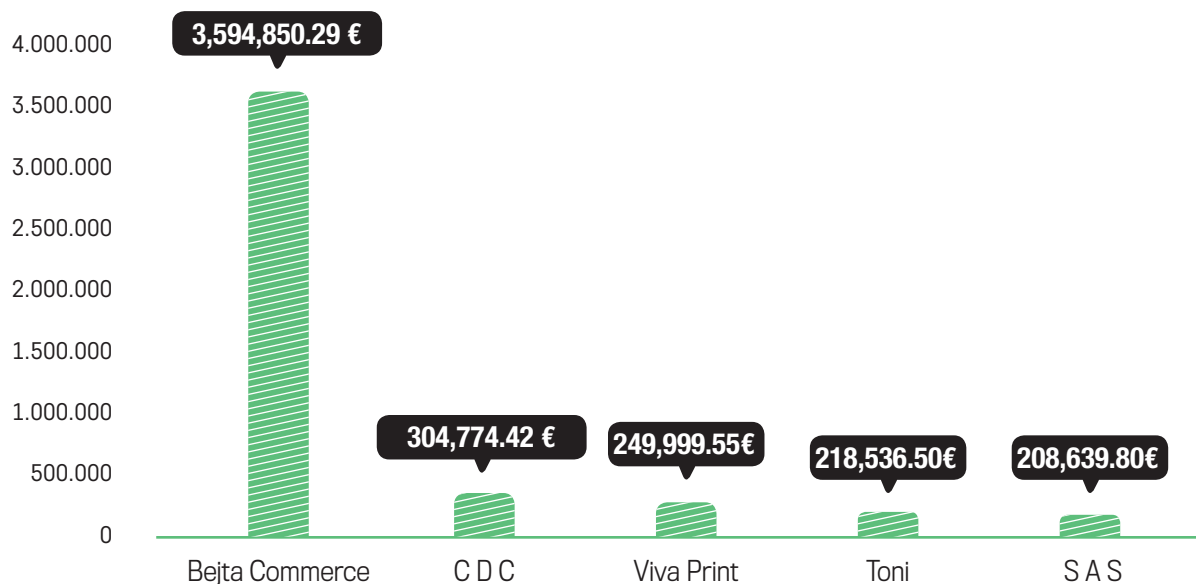
The amount of each of these tenders according to the type of contract varies as follows:



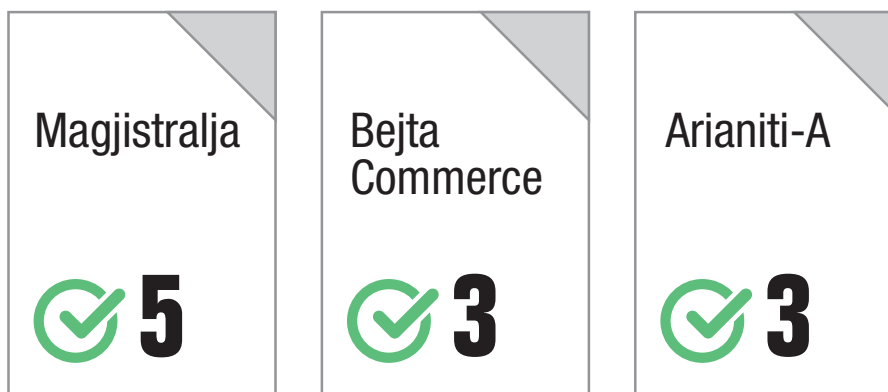
Out of € 6,432,013 spent through public procurement, five companies won € 4,576,798 or 71% of the total amount of all total amounts. Only one company, through

3 tenders won around € 3,594,850 or 55% of the total amount of all tenders.

## Top companies with the highest amount of tenders



## Companies with the highest number of tenders



**2013**

The planned budget for 2013 was € 21,356,768.23, while the realized budget as per all spending categories was € 20,622,791.74. The unused difference is € 733,976.49.

When looking into the budget of the Municipality of Gjilan/ Gnjilane, we can see that the planning for the Procurement Department was € 54,411.00, which includes Wages and Salaries, Goods and Services, Utilities, Subsidies and Transfers, as well as Capital Investments, while this department realized € 54,296.75 in all said categories.

The 2013 budget for capital investments was € 5,334,859.03, whereas the realized budget was € 4,826,165.42, and it was used for projects and capital investments as follows:

Department  
/Program

Amount

Mayor's  
Office



3,911,033,59 €

Primary  
Health  
Service



49,553,00 €

Education  
and  
Science



725,756,00 €

## Contracts signed through public procurement

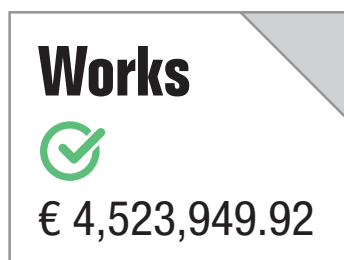
For 2013 we included 35 tenders, with 2 tenders lacking total amounts.

The total amount of these tenders is € 5,624,492.62.

According to type of contract, these tenders are divided as following



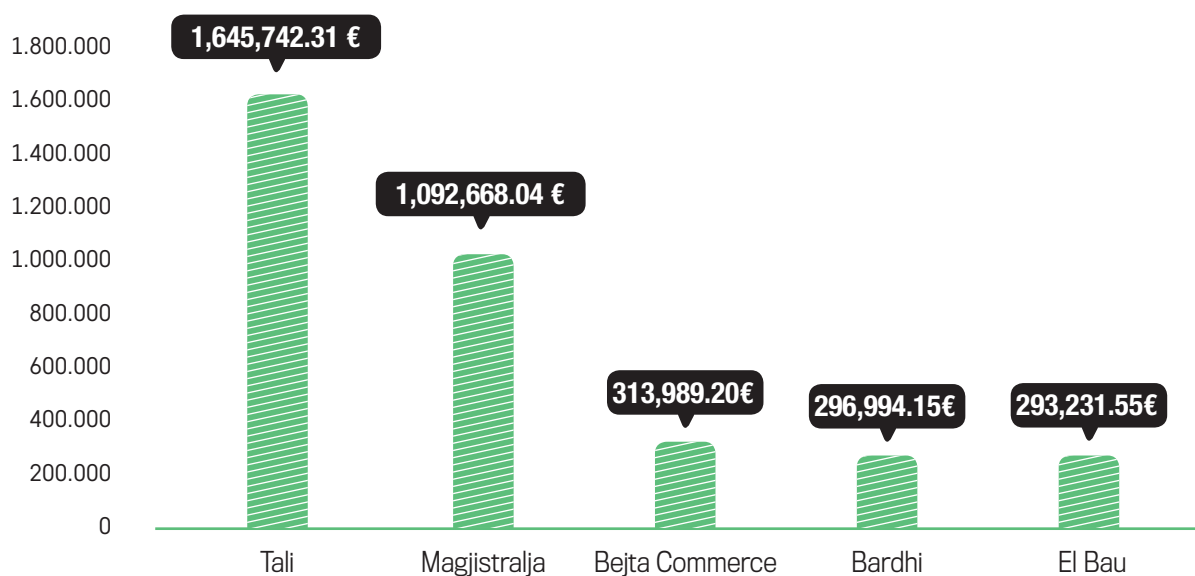
The amount of each of these tenders according to the type of contract varies as follows:



In 2013, we have high number of tenders in the category of services. Only one tender in the category of services was almost the highest tender implemented in the category of services. The said tender has to do with the Cleaning of roads, streets, and pavements, implemented during this year.

Out of € 5,624,492.62 spent through public procurement, five companies won € 3,642,574 or 64.76% of the total amount of the total amount.

## Top companies with the highest amount of tenders



## Companies with the highest number of tenders





# 2014

The planned budget for 2014 was €22,531,725.19, while the realized budget as per all spending categories was €21,127,252.96. The unused difference is €1,404,472.23.

When looking into the budget of the Municipality of Gjiilan/Gnjilane, we can see that the planning for the Procurement Department was €60,833.45, which includes Wages and Salaries, Goods and Services, Utilities, Subsidies and Transfers, as well as Capital Investments, while this department realized €57,232.16 in all said categories.

The 2014 budget for capital investments was €4,077,675.81 whereas the realized budget was €3,831,716.53 and it was used for projects and capital investments as follows:

- It should be noted that capital expenditure for this year was oriented towards economic development. According to tables, it is obvious that in 2014 the main objective was economic development and capital investments, as well as development of agriculture and husbandry.

Department /Program	Amount
Mayor's Office	133,405.80 €
Public Services	1,028,229.62 €
Agriculture and Forestry	67,660.00 €
Economic Development	2,058,283.20 €
Health	128,000.00 €
Education	416,137.91 €

## Contracts signed through public procurement

In 2014 we included 38 tenders in our database. The total amount of these tenders was €3,185,425.80.

According to type of contract, these tenders are divided as following:



The amount of each of these tenders according to the type of contract varies as follows:



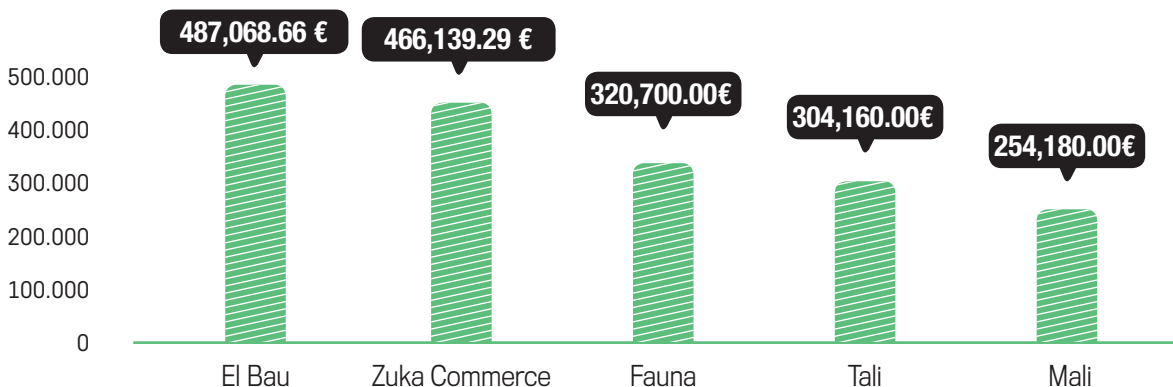
In 2014, we can see that for the category of works the Municipality of Gjilan/Gnjilane invested around € 2 million; € 70 thousand for supply, and around € 371 thousand for services.

The above data show that this is an increase of funds for public services.

In 2014, we have an increase of the amount of contracts for services, and the municipality is spending more funds in this category.

Out of € 3,185,425 spent through public procurement, five companies won € 1,832,247 or 57.5% of the total amount of all tenders.

## Top companies with the highest amount of tenders



## Companies with the highest number of tenders



# 2015

The planned budget for 2015 was € 23,194,382.31, while the realized budget as per all spending categories was € 21,768,303.44. The unused difference is € 1,426,078.87.

When looking into the budget of the Municipality, we can see that the planning for the Procurement Department was € 65,507.47, which includes Wages and Salaries, Goods and Services, Utilities, Subsidies and Transfers, as well as Capital Investments, while this department realized € 60,506.25 in all said categories.

The 2015 budget for capital investments was € 3,941,133.57, whereas the realized budget was € 3,270,515.38, and it was used for projects and capital investments as follows:

- The capital investments in 2015 are different from other years, because no funds were spent from the Mayor's Office without accounting for other categories.

- Unlike previous years, when millions of Euros were spent for the Mayor's Office, in 2015 not even one euro was spent to this end.

Department /Program	Amount
Public Services / Infrastructure and Housing	866,999.40 €
Agriculture and Forestry	92,204.50 €
Economic Development	1,549,526.90 €
Surveying, Geodesy, Property	345,758.34 €
Urbanism and Environmental Protection	89,399.05 €
Health	68,198.09 €
Education	258,429.10 €

## Contracts signed through public procurement

For 2015 we included 62 tenders, with 2 tenders lacking total amounts.

The total amount of these tenders was € 6,798,303.72. These tenders are divided in following categories:

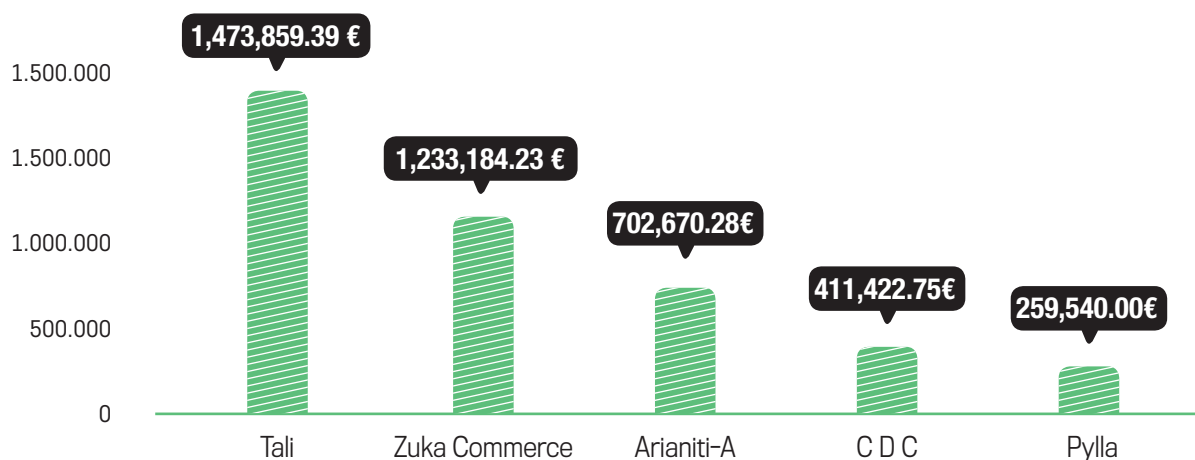


The amount of each of these tenders according to the type of contract varies as follows:



Out of € 6,798,303 spent through public procurement, five companies won € 4,080,675 or 60% of the total amount of the total amount.

### Top companies with the highest amount of tenders



### Companies with the highest number of tenders



# 2010 AUDIT REPORTS

When looking at audit reports, we made efforts to relate them with the findings of our research, with a special emphasis on recommendations, procurement, and budget expenses.

According to General Auditors Office, there is a series of issues which are inconsistent with the findings in our database.

First, we will focus on procurement expenditure and the data maintenance related to tenders for this year. The 2010 Audit Report mentions:

The awarding of contract to the Economic Operator which did not meet criteria related to its field of work.

The GAO brings forth two issues:

- The economic operator did not meet the criteria regarding the field of work, and the type of coal does not correspond to required technical specifications.
- The winner of this tender is “Metali”, with the amount of € 23,250, awarded through an open procedure of September 14, 2010.

## THE MAYOR IS RECOMMENDED THAT:

**Contracts are adhered to and the required criteria are met according to the Tender Dossier;**

Compensation of pupils' transport with fuel.

According to the GAO, by avoiding procurement procedure, the Municipality of Gjilan/Gnjilane selected pupils' transporters from home to school and vice versa during the academic year 2009/2010 and 2010/2011.

In doing this, the transporters have been compensated with fuel. In reviewing EO supply invoice, the GAO identified that one of the transporters received 2108 liters of

fuel 5 days after contract was signed. The contract stipulated that transporters can have 95 liters of fuels each working day.

- Our research shows that the tenders awarded for pupils' transport in 2010 were divided in lots, and there are many companies which won tenders for this purpose.

## THE MAYOR IS RECOMMENDED THAT:

**Analyses are made, and adequate administrative measures are taken in cases of mismanagement;**

The compensations for the Supervisory Body and the Committee for Technical Acceptance are made separately from the contracts, and are not included in the construction cost; Further on, in the tender “Asphalting the Road in the Zabeli i Sait Agës neighborhood” in the amount of € 297,116, the additional amount of € 4,321 is added for compensation to the Supervisory Body and €3,027 to the Committee for Technical Acceptance. Thus, the Contract's amount for payment reaches the value of €304,464. Similar actions were performed for other similar contracts. This practice was also carried out in similar contracts.

- On the other hand, the database provides the amount of the bid, without adding other amounts, such as monitoring compensations. This means that the municipality does not reflect the total amount in the contracts, but only the initial amount, while accumulating additional funds and justifying them with payments for supervisory commission.

## THE MAYOR IS RECOMMENDED THAT:

The compensations for the Supervisory Body and the Committee for Technical Acceptance are made separately from the contracts and are not included in the construction cost;

Delays in carrying out the works according to contract;

In the contract: "Asphalting the Road in the Zabeli i Sait Agës neighborhood" in an amount of € 304,464, dated 17/03/2010, the deadline for work execution was 24 working days. The dynamic plan was not adhered to. The works were not yet executed by the time the auditing took place. The work execution security was missing from the above mentioned contract.

In the contract: "The construction of the Memorial Center in Kodra e Deshmoreve", 1st phase, in an amount of € 277,386 dated 14/05/2010, the deadline for execution of work was 48 working days. The works were not yet executed by the time the auditing took place. The company did not provide work execution security to ensure that contract accomplishment.

## THE MAYOR IS RECOMMENDED THAT:

- Projects are executed in time, and in case of delays, penalties are imposed to EOs that do not fulfill the terms and obligations stipulated in the contract;
- Work execution security is provided by the EOs.

## 2011 AUDIT REPORTS

GAO findings for 2011 in the Procurement Department and the irregularities in tender awards are as follows:

### DELAYS IN THE START OF WORKS

In the contract "Reconstruction of the road – Halim Orana, Fehmi Agani and Jugu 1/Halim Orana, Fehmi Agani, i Jug 1" signed on 29.09.2011 in the amount of € 126,486, and another signed on 11.10.2011 for the "Construction of transformer stations in Malishevë e Epërme/ Gornji Mališevë, Jabuq/Jabuk and suburb of Arbëria 1 and 2" in the amount of € 122,133, the execution of projects had not started at the time of auditing.

The same issues were raised in the 2010 Audit Report. In 2010 GAO criticized the delays in carrying out the works. 2011 featured similar irregularities, with some variations. In this case, companies did not start the execution of works as stipulated in the contract.

### FAILURE TO COMMIT FUNDS PRIOR TO THE INITIATION OF PROCUREMENT PROCEDURES.

In the selected samples on three finished projects; "Small projects - public works and infrastructure" in the value of € 115,523, "Reconstruction of Baja river bed" in a value of € 216,740, and "Technical maintenance of municipal facilities of MA" in the value of € 367,394, € 411,172 were paid, and due to the lack of funds, the amount of € 288,485 remained unpaid. In the case of the "Reconstruction of the road- Halim Orana, Fehmi Agani and Jugu 1/Halim Orana, Fehmi Agani i Jug 1" in the value of € 126,486 and eight other projects that are in the process of finalization, the total amount is € 1,120,942, while € 534,958 were paid. The total amount of debts from the examined sample was € 1,123,087.

## THE MAYOR IS RECOMMENDED THAT:

The procurement procedures are not initiated without prior commitment of necessary funds.



# 2012 AUDIT REPORTS

The audit findings in the Procurement Department, as well as other findings show that the GAO made many recommendations since 2010. In fact, many recommendations were repeated from previous years.

## THESE WERE THE RECOMMENDATIONS FOR 2012:

### **CONTRACTS WITHOUT THE COMMITMENT OF FUNDS**

It is the second year that the GAO finds irregularities related to the signing of contracts without prior commitment of funds. In 2012, the GAO found the following contracts without prior commitment of funds:

- “Maintenance of facilities” - in the amount of €304,774; (Our database shows that the tender was awarded to CDC Company on February 28, 2012 through an Open Tender Procedure in the category of works)
- “Roundabout in Iliria/Ilirija suburb” in the amount of €85,187;
- “Maintenance of facilities” - in the amount of €173,371 (Our database shows that the tender was awarded to “Viva Print” on February 20, 2012 through an Open Tender Procedure in the category of works)

### **THE MAYOR IS RECOMMENDED THAT:**

- They make sure that contracts are not signed without prior commitment of funds.

### **DELAYS IN CARRYING OUT THE WORKS**

The Municipality of Gjilan/Gnjilane paid the invoice dated 17.01.2012 amounting to € 100,000 to EO ‘Bass-Com’ on installment IV for works on the project “Pavement of roads in the village Livoq i Ulët/Donji Livok”. We noticed a lack of documents consistency for this payment. Works

installment was dated 21.12.2010, and recapitulation of this installment was dated 12.12.2011. The contract for this project was concluded on 23.11.2009 amounting to € 314,219. According to Dynamic Plan, this project was planned to be completed in 48 days. In addition to delays in dynamic plan, works are suspended, and the project has not been completed due to lack of funds.

For project “Pavement of roads in Dardania/Dardanija suburb” worth € 525,675, delays were noticed in works execution. The contract was concluded on 07.12.2009, and the dynamic plan for completion of work was 56 days. The Municipality paid the 7th installment on 19.01.2012 valued € 100,000 and 8th installment on 14.05.2012 valued € 72,544. This project was not completed due to lack of funds.

Delays were noticed in the project “Arrangement of public infrastructure in the village Šilovo/ Shillovë worth € 381,390, under the contract dated 09.12.2010. The Municipality paid the invoice dated 18.04.2012 of € 70,170. Works were not completed due to lack of funds.

### **THE MAYOR IS RECOMMENDED THAT:**

- Capital works are completed within the optimal and objectively achievable time. Also, management should analyze the contractual terms and the reasons for delay in details.

### **RESEARCH CONCLUSION**

- This is the third year this very recommendation is made to the Municipality of Gjilan/Gnjilane. This advice is related to the delays in the execution of works, and the start or termination of works by companies which were awarded tenders. The Municipality was not able to prevent these delays, and did not address these recommendations.

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# 2011 AUDIT REPORTS

These are the recommendations of 2013, together with irregularities in awarding the contracts:

## COMPENSATION OF SUPERVISION BODIES

The Municipality has continued to remunerate its internal staff as oversight authorities and technical acceptance committees, regardless of our recommendations of the prior year for resolving this issue. The oversight authorities were paid 1% of the overall contracts value. The identified contracts for 2013 were: "Public Works – small infrastructure projects"; "Installation and maintenance of traffic lights in the city center"; and "Paving and maintenance of third level roads".

## THE MAYOR IS RECOMMENDED THAT:

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The Municipal Assembly reviews payments to Oversight Committees as a matter of urgency to find a method on how to oversee the projects by ensuring independence, and by avoiding possible conflict of interest.

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## AWARDING OF THE CONTRACTS TO IRRESPONSIBLE ECONOMIC OPERATORS;

The procurement process for "Paving and maintenance of third level roads in Gjilan/Gnjilane Municipality" was accompanied with several irregularities:

The bidder "Bejta Commerce" declared by contracting authority as ineligible for not meeting the requirements for professional staff. This justification is unsustainable, as the bidder had provided the required document.

Within the technical requirements, bidders "Bejta commerce" and "Bass Com" (awarded with contract) provided same ownership evidence (documents) for some of the equipment (excavator). Tender dossier did not con-

tain any kind of agreement on use of this equipment. In addition, several other documents of these bidders were totally similar. The contracting authority had not taken any action to clarify these issues, although there were indications of cooperation of these two bidders.

## THE MAYOR IS RECOMMENDED THAT:

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He ensures that assessment committees are monitored closely by the procurement manager while assessing the offers, and where there are indications of cooperation between bidders, they should be reported to senior management, and to act in line with the legislation.

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## 2014 AUDIT REPORTS

We have noticed that some of the audit recommendations from 2010 are still being repeated.

This implies that the municipality did not make any step to address those recommendations.

One of the repeated recommendations was regarding the awarding of contracts to irresponsible operators.

The contract on “Supply with Information Technology” for the needs of the Directorate of Education in the amount of €9,900 was awarded to an ineligible operator, who did not fulfill the tender’s dossier request for Kosovo Tax Administration payment. Attestation provided on 04.11.2014 indicated the economic operator had liabilities to the KTA.

### THE MAYOR IS RECOMMENDED THAT:

He initiates a review of the reasons why the contract was awarded to an ineligible operator. An increase in monitoring is required of assessment commissions in order to ensure a fair assessment according to the legal requirements.

## 2015 AUDIT REPORTS

The 2015 report featured many important issues and shortages with corresponding recommendations to the Municipality of Gjilan/Gnjilane, especially to departments such as Procurement, and related to the spending of funds in this department.

In 2015, the GAO brought forth important and high priority findings, such as:

### SYSTEMATIC WEAKNESSES IN PROCUREMENT

After looking at contracts and payments, the GAO identified a series of common weaknesses. In particular, management controls have not been effectively implemented to prevent the following issues from arising:

There was a considerable number of cases related to goods and services where price quotation procedures were applied, thus avoiding the open procedures. We tested:

- 1 “Cleaning of snow in the city streets and rural roads” were awarded to the same EO. The contracts values were respectively €6,050 and €6,500; and
- 2 Unification of names in municipal directorates and offices in the amount of € 9,481, and Unification of names in municipality’s schools in the amount of € 9,700.

After the commencement of works in the contract “Regulation of atmospheric canalization in Arbëria” in the amount of € 201,489, additional works of € 20,020 were carried out through an annex contract. These two contracts were not sufficient for completion of the project. Another contract of € 9,960 had to be signed through price quotations in order to complete the project. This occurred as a result of poor planning and avoidance of open procedures for unplanned parts.

During the physical examination of the technical maintenance for renovation of the municipal branch office in Malishevë/Mališevo Village, the oversight body has accepted progress payments although works were not

completed such as: for painting the outside of the facade surface of 78.55 m2 in the amount of € 353, not even 50% of the surface was painted; the supply and installation of the primary structure with 10x12 cm in quantities of 3.65 m3 worth € 657 was not delivered;

## THE MAYOR IS RECOMMENDED THAT:

He provides a review of the identified cases in order to find the causes behind and take adequate measures to prevent them from happening in the future. The Mayor should also ask for enhanced accountability from responsible persons; be them from the requesting units, procurement officers, or contract managers. Consequently, enhanced control should be in place in order to ensure that the identified systematic weaknesses are addressed.

## ANOTHER ISSUE IS THE NON-SYSTEMATIC PROCUREMENT WEAKNESS

### The noticeable cases are:

In the contract “Asphalting of the Road in Zhegër/Žegëra Village”, the performance security had expired on 23/10/2015, although according to the final acceptance report from the supervisory body, works were carried out on 25.11.2015. The Performance Security shall be valid for a period of 30 days after termination of the contract. In this case, there was no performance security to cover the contract for two months;

In the procurement procedure “Supply with fire woods” worth € 259,540, the Tender Dossier did not clearly specify the wood specifications; such as wood characteristics and calories to be delivered, instead it stated just fire woods. The market price of woods is determined by the type of woods, therefore we do not know how it was valued without knowing the type of wood;

### Comment:

For 5 years now, we are facing very similar issues. In 2010, the company that supplied the Municipality of Gjilan/Gnjilane with coal did not provide it in line with the technical specifications, and the same thing is happening with supply of firewood, without specifying the characteristics of the firewood, since the market value varies accordingly.

Therefore, we believe that the Municipality of Gjilan/Gnjilane should work more towards the addressing of some of the abovementioned issues.

# PROCUREMENT REVIEW BODY DECISIONS

All PRB decisions are published on its website; they are all divided in years and title of contract.

From 2010 until 2015, there have been 49 decisions published on the PRB website.

In 2010, the PRB published 10 decisions, 7 in 2011, 7 in 2012, 7 in 2013, 8 in 2014, and 10 decisions in 2015.

## 2010 DECISIONS

As mentioned above, In 2010 the PRB published 10 decisions. Looking at these decisions, we have concluded that all those decisions have to do with complaints towards the Procurement Department of Gjilan/Gnjilane.

Out of 10 decisions, 4 were suspended, and 6 were either approved or sent for another review.

The suspended decisions were turned down by the PRB with the following justifications: the complainant did not submit the insurance of the complaint; the complaints were ungrounded and without real evidence; the complainant offered a higher bid than the awarded operator, failing to follow the principle of bidding;

Decisions that were either approved or sent for another review found that the Municipality of Gjilan/Gnjilane breached some of the legal provisions when it comes to awarding the bidders; the municipality followed inadequate methods when assessing and awarding bidders; there was breach of the principle of economically favorable operator, as well as breach of principle of the lowest price, awarding bidders with higher price bids. In one case the Municipality of Gjilan/Gnjilane was fined € 5,000 and the Legal Officer was suspended and fined € 1,000.

## 2011 DECISIONS

In 2011, the PRB published 7 decisions, with only 1 suspended and 6 approved decisions.

1 complaint was turned down with the justification that the complainant, in this case the economic operator, did not manage to convince the Assessment Committee that the contracting authority breached the principle of awarding the lowest price bid.

Decisions that were either approved or sent for another review, found that the Municipality of Gjilan/Gnjilane breached some of the legal provisions when it comes to awarding the bidders; the municipality followed inadequate methods when assessing and awarding bidders; there was breach of the principle of economically favorable operator, as well as breach of principle of the lowest price, awarding bidders.

## 2012 DECISIONS

In 2012 the PRB published 7 decisions, with 2 approved decisions in favor of economic operators, 3 approved decisions in favor of the contracting authority, and 2 orders to implement the agreement from the date of publication.

Until 2012, in most cases the PRB approved the complaints of the economic operators since the contracting authority often breached legal provisions by awarding bidders whose offers failed to meet the lower price principle.

## 2013 DECISIONS

In 2013, the PRB published 7 decisions, out of which 3 decisions were turned down, 3 were approved, and one of them has to do with the withdrawal of one of the operators with the justification that they do not have time for these biddings, and 1 decision was turned down as ungrounded, since the expert report did not find any breach by the contracting authority.

The decisions of the PRB found that the contracting authority breached legal provisions when turning down one of the operators with the ungrounded justification that it is not favorable, while the Economic Court found that this was a favorable operator and can take part in the bid.

## 2014 DECISIONS

In 2014, the PRB published 8 decisions, out of which 2 were turned down, 3 were approved, 1 order for execution of the decision, and 1 complaint was withdrawn by the complainant.

Again, we have the same issue of breaching of legal provisions when awarding contracts and failure to meet price principle when awarding the economically favorable operators.

Complaints that were turned down had to do with the fact that the EO did not present evidence, and therefore their claims were ungrounded.

## 2015 DECISIONS

In 2015, the PRB published 10 decisions, out of which 7 were approved, and 3 were withdrawn from by the complainants.

Again, the breach of legal provisions is considerable, with the PRB concluding that the Municipality of Gjilan/Gnjilane is failing to meet the principle from the very beginning such as: failure to meet the principle of economically favorable bids, lower price principle, and the breach of certain articles.

In one case, the complainant filed a complaint claiming that the EO that was awarded the bid had debts at the KTA, among other things. After looking at the documentation, it was found that this EO does not have the certificate stamped by the KTA, and although the PRB ordered to suspend the awarding of the bid, this EO is still considered the winner of the bid.

# THE FINANCING OF POLITICAL SUBJECTS

The audited reports of the financial statements were published only for 2009-2012. Central Election Commission never published the financial statements of political subjects for the years before 2009, since those were audited by OSCE.

On the other hand, financial statements after 2013 were not audited since the Kosovo Assembly failed to select the audit company.

During 2007-2015 period, the Municipality of Gjilan/Gnjilane was governed by two biggest political subjects in Kosovo, the PDK and LDK.

During 2009-2012, the LDK reported € 99,685 of income from donations, out of which € 76,811 is from natural persons, and € 22,874 from legal persons.

In 2009, the auditor found that the LDK sold immovable property in the amount of € 380,000, breaching the Rule No. 01/2008 Article 17 On Registration and Operation of Political Parties, paragraph 17.4 which says: "A registered Political Party shall not engage in any commercial or for-profit activity of any kind, except that a Party may sell goods, such as publications or posters, bearing the Party's logo or acronym having a total value of no more than two thousand euro (€2,000) per year".

In 2010, the LDK was obliged to return a donation in the amount of € 2,856.95 since it surpassed the allowed daily limit of received donations.

During 2009-2012, the PDK received € 502,084 as donations from natural and legal persons.

In many cases, the auditor found excess of spending during election campaigns, as well as a failure to follow the limit of donations received within a day.

# LINKS BETWEEN BUSINESS AND POLITICS

The data obtained from the PPRC, which was compared to the ARBK data and the financial statements of the political subjects, shows that 18 companies which funded political parties were awarded tenders in the Municipality of Gjiilan/Gnjilane.

These companies were awarded around € 19.5 million from the Municipality.

Companies which funded the PDK during 2009-2012 won the highest number of tenders.

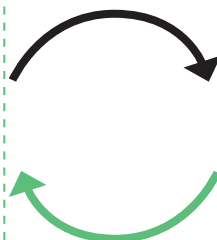
The PDK received a donation amounting around € 60,000 from 15 companies which were awarded tenders by the Municipality.

## DONATIONS GIVEN TO THE PDK BY COMPANIES

Arianiti-a	€ 500.00
Bejta Commerce	€ 10,000.00
Elmak	€ 1,000.00
C D C	€ 2,000.00
Engineering	€ 2,000.00
Euro trans	€ 11,000.00
Magjistrallja	€ 5,000.00
Mega	€ 10.00
Merkatori	€ 500.00
Metali	€ 1,000.00
Riza trans	€ 8,500.00
Viva Print	€ 1,000.00
Vizion Project	€ 1,000.00
Compact Group	€ 2,577.00
Tali	€ 20,000.00

## AMOUNT OF TENDERS WON BY COMPANIES THAT FINANCED THE PDK

Arianiti-a	€ 1,211,123.11
Bejta Commerce	€ 5,707,631.11
Elmak	€ 94,765.45
C D C	€ 1,331,506.00
Engineering	€ 171,747.00
Euro trans	€ 1,062,239.15
Magjistrallja	€ 3,271,045.23
Mega	€ 522,781.23
Merkatori	€ 145,685.05
Metali	€ 62,750.00
Riza trans	€ 352,519.00
Viva Print	€ 647,955.55
Vizion Project	€ 222,217.00
Compact Group	€ 151,236.00
Tali	€ 4,572,997.90



These companies won around **120 tenders**, in the amount of **€ 19,150,000.00**.




AAK received a donation from a company in the amount of € 20,000. This company won 3 tenders from the Municipality of Gjilan/Gnjilane, in the amount of € 200,000.00.

ipality of Gjilan/Gnjilane, in the amount of € 200,000.00.

	Tenders	Amount
<b>PETROL COMPANY</b> 	<b>3</b>	<b>€ 200,000.00</b>

Lëvizja Vetëvendosje received donations from three companies in the amount of € 950, and two of these companies also funded PDK.

These three companies were awarded around 30 tenders in the amount of acc. € 5 million.

	Tenders	Amount
<b>HAXHI JAHA</b> LVV 	<b>3</b>	<b>€ 67,635.00</b>
<b>TALI</b> PDK-LVV 	<b>26</b>	<b>€ 4,572,997.90</b>
<b>COMPACT GROUP</b> PDK-LVV 	<b>3</b>	<b>€ 151,236.00</b>





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# CONCLUSIONS AND RECOMMENDATIONS

The research shows that the GAO recommendations were not addressed throughout years.

The Municipality of Gjilan/Gnjilane faces numerous problems in terms of budget, especially in the field of public procurement.

Those identified problems affect the functional budget operations. During 2010-2015 different problems were identified, such as: the breach of legal disposition of public procurement, inefficient public procurement procedures which are not in line with the existing procurement rules, connections and political favors to companies when giving tenders, contracts against the Law on Public Procurement etc.

Though the GAO recommended that their recommendations are addressed, the competent municipal authorities did not meet these requests.

Among other problems which Gjilan/Gnjilane faced during this period, is also the failure to follow legal provisions related to public procurement, problems with announcements related to contracts as well as selection of Economic Operators which did not meet the criteria of adequate field of operation according to the specified request, failure to follow public procurement procedures when opening calls for tenders.

When it comes to the implementation of public procurement provisions, the Municipality of Gjilan/Gnjilane faced difficulties when executing contracts, with delays in meeting the obligations deriving from contracts, giving contracts to irresponsible economic operators as well as other problems during this period.

These issues caused continuous problems for the normal functioning of the Municipality in terms of spending of public money, and the implementation of legal dispositions, especially those related to public procurement.

These are some of the recommendations deriving from our research and the GAO reports:

Contracts are adhered to and the required criteria are met according to the Tender Dossier;

Analyses are made and adequate administrative measures are taken in cases of mismanagement;

● The compensations for the Supervisory Body and the Committee for Technical Acceptance are made separately from the contracts and are not included in the construction cost;

Projects are executed in time and in case of delays, penalties are imposed to EOs that do not fulfill the terms and obligations stipulated in the contract;

- Work execution security is provided by the EOs;

The procurement procedures are not initiated without prior commitment of necessary funds.

- They make sure that contracts are not signed without prior commitment of funds;
- Capital works are completed within the optimal and objectively achievable time.;

Also, management should analyze the contractual terms and the reasons for delay in details.

- He ensures that assessment committees are monitored closely by the procurement manger while assessing the offers and where there are indications of cooperation of bidders they should be reported to senior management and to act in line with the legislation;
- He initiates a review of the reasons why the contract was awarded to an ineligible operator.;

An increased monitoring is required to assessment commissions in order to ensure a fair assessment according to the legal requirements.

- He provides a review of the identified cases in order to find causes behind and take adequate measures to prevent them from happening in the future. The Mayor should also ask for enhanced accountability from responsible persons be them from the requesting units, procurement officers and contract managers. Consequently, enhanced control should be in place in order to ensure that the identified systematic weaknesses are addressed.

The implementation and the addressing of recommendations should also be a priority issue of relevant municipal authorities of the Municipality of Gjilan/Gnjilane. The implementation and the addressing of the recommendations should be considered as an imminent need of respective municipal bodies. We consider that the issues identified by the GAO and the addressing of such problems would help in tackling many problems and would contribute to the prevention of such problems in the future.

